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RUEHNO/USMISSION USNATO IMMEDIATE 0759  
RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 0585

S E C R E T SECTION 01 OF 08 CANBERRA 000185

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TAGS: [OVIP](#) [GATES](#) [ROBERT](#) [OVIP](#) [NEGROPONTE](#) [JOHN](#) [MOPS](#)  
MARR, KNNP, AS  
SUBJECT: AUSMIN 2008: SESSION II (DPRK, INDIA, CHINA,  
AFGHANISTAN, PAKISTAN)

Classified By: Ambassador Robert D. McCallum, Jr., for reasons 1.4 (b),  
(d).

[1](#)1. (U) February 23, 2008; Parliament House, Canberra,  
Australia.

#### SUMMARY

[1](#)2. (C/RL AUS) U.S. and Australian officials dedicated the second session of the 2008 AUSMIN conference to a consideration of regional security issues throughout Asia. They agreed to coordinate in managing the strategic challenges of a rising China, keep the temperature down on Taiwan, and to continue efforts to transform China into a responsible stakeholder in the international system. The Australian side indicated a strong commitment to remain in Afghanistan for the long term for military operations, and said it would soon announce a new package of assistance to improve civilian capacity there. Australian FM Smith requested a role for Australia in any regional security architecture that emerges from the Six Party Talks, which he said Australia would continue to support. Smith also said Australia would not decide on whether to support a Nuclear Suppliers Group deal to allow nuclear cooperation with India until it emerges whether the Indian government will approve its deal with the U.S. Both sides expressed serious concern about the threats and challenges in Pakistan, particular about the Pakistani government's capability to counter the insurgency in the Fata region. End Summary.

[1](#)3. (U) Participants:

UNITED STATES  
Secretary of Defense Robert M. Gates

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Deputy Secretary of State John D. Negroponte  
Ambassador Robert D. McCallum, Jr.  
Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff  
Admiral Timothy J. Keating, Commander, U.S. Pacific Command

Acting Assistant Secretary for Political-Military Affairs  
Stephen Mull  
Assistant Secretary of Defense for Asian & Pacific Security  
Affairs James Shinn  
Principal Deputy Assistant Secretary for East Asian & Pacific  
Affairs Glyn Davies  
Tim Davis, Carol Hanlon, Aleisha Woodward, John Crowley,  
Jessica Powers (Notetakers)

#### AUSTRALIA

Minister for Foreign Affairs Stephen Smith  
Minister for Defence Joel Fitzgibbon  
Michael L. Eastridge, Secretary of the Department of Foreign  
Affairs and Trade  
Nick Warner, Secretary of the Department of Defence  
Air Chief Marshall Angus Houston, Chief of the Defence Force  
Duncan Lewis, Deputy Secretary of the Department of Prime  
Minister and Cabinet  
Peter Varghese, Director General of the Office of National  
Assessments  
Dennis Richardson, Australian Ambassador to the United States  
Berenice Owen-Jones, Alistair McEachern, Alanna Mackay,  
Antony Horrocks, Marina Tsirbas, Amanda Pickrell, John  
Feakes, Peter West (notetakers).

#### CHINA

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14. (C/REL AUS) FM Smith endorsed Secretary Gates' opening remarks on the importance of managing the rise of China. He Qremarks on the importance of managing the rise of China. He noted that the Chinese are seeking to transform their relationship with Australia into a "strategic partnership," and that this process would not undermine the bilateral Australian-US alliance. He stressed that the Australians are

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not starry-eyed about China, and reported that recent bilateral meetings with the Chinese fell short of "free flowing discussions", with the Chinese taking formulaic positions on issues such as human rights. He said the Australian side had raised the issue of transparency in China's military modernization, and that the Australians had encouraged the Chinese to respond to these concerns that had been raised by the U.S. FM Smith noted that managing the relationship with China was likely to remain the biggest foreign policy challenge for the balance of this century. He suggested that the concurrent rise of India may create some competition with the Chinese, though he noted that the Indian Prime Minister's recent visit to China had apparently gone smoothly. He also observed that Taiwan's referendum to enter the United Nations under the name of Taiwan was not helpful, and that the Australians would adhere to their long-standing One China policy. He said it would be an important goal of Australia's to "reduce the temperature" on Taiwan where possible.

15. (C/REL AUS) FM Smith said that the Chinese government's strategy appeared to be one of expanding economic benefits for their people while remaining a one-party state, suggesting that the Chinese government had only limited respect for intellectual property rights, human rights, and the rule of law. He noted that few countries had successfully made the transition to a free market economy while maintaining a command and control political regime, suggesting that economic prosperity would inevitably lead to freedom of thought.

16. (C/REL AUS) Ambassador Negroponte said that the Chinese continue to browbeat the U.S. over Taiwan, and that it was difficult to tell how much is posturing and how much is genuine concern. In his recent conversations with Chinese officials, Beijing appeared to be worried that President Chen Shui-bian will pull off some action in the direction of independence in the waning days of his Administration that will force the Chinese to react. There may be different

views on this within the Chinese government, he noted. In his meeting with Premier Wen Jia-bao recently, the Premier had implied that once Chen was gone, Beijing could relax. Yet other officials stressed the need for continued vigilance of the Taiwan situation, and that the Chinese meanwhile continue to build up their military capability across the Straits.

¶17. (C/REL AUS) FM Smith noted that the Japanese are sensitive to Australia's engagement with China under the new government, and they were aware of PM Rudd's personal experience and links with China. He expressed a desire to continue with current trilateral dialogue between Australia, Qcontinue with current trilateral dialogue between Australia, Japan, and the United States, with the US playing a middle role. In the meantime, he said, Australia's bilateral relationship with the Japanese is moving forward.

¶18. (C/REL AUS) DM Fitzgibbon said that Canberra would assess China's military modernization in the forthcoming Defense White Paper. He looked forward to inputs from the U.S. in that process. Both sides agreed to begin a regular dialogue on China's military modernization.

¶19. (C/REL AUS) CDF Houston agreed that China remained a key dynamic factor in the region, observing from a visit last year that the Indians increasingly view China as a threat. He said the Indians were moving to increasingly high-end weapons systems, with a particular focus on air capability.

¶10. (C/REL AUS) Ambassador Richardson noted the impressive improvement in the quality and size of China's diplomatic efforts in Asia. He said that the Ministry of Foreign Affairs was active throughout the region, engaging with sophistication and what appeared to be a sustained strategic

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intent. This is true in the Pacific island region, where analysts earlier had dismissed Chinese diplomatic efforts as a simple counter-balance to Taiwan's "checkbook" diplomacy in the region. China's intent is in fact much more strategic, he said.

¶11. (C/REL AUS) ONA Director Varghese echoed previous comments that relations with China remain a large challenge for Australia. He suggested the view that the Chinese are broadly satisfied with the status quo in Asia, although their strategic intentions may be evolving. The litmus test for their strategic intent will be attempts to displace or replace the United States in the region. Turning to Chinese domestic politics, he observed that China's new middle class now had a large economic stake in political stability, an interest that could attenuate their interests in political reform.

¶12. (C/REL AUS) Ambassador Richardson said that the Chinese may be "over-reading the tea leaves" on the U.S. presidential election and the foreign policies of the next U.S. Administration. He also cautioned that the Chinese may misinterpret Australian efforts to enhance the bilateral relationship between Beijing and Canberra, and that the Australian government has therefore been careful to stress to the Chinese the centrality of the bilateral US-Australian Alliance.

¶13. (C/REL AUS) Ambassador Negroponte described Chinese economic growth as spectacular, suggesting it was likely to continue. He recalled that Hu Jintao had explained to President Bush that he needed to create 25 million jobs annually, and that rapid economic growth was the precondition for this. DS Negroponte said he believed the Chinese aspire to be a great power, and are patient in pursuing that goal. Ambassador Negroponte noted that smooth execution of the Summer Olympics is a top priority for Beijing, as it will provide them with enhanced domestic legitimacy and international prestige. He recalled Chinese concerns about the Olympics being "politicized" by human rights or Tibetan

activists.

¶14. (C/REL AUS) Ambassador Negroponte observed that China is sometimes a popular political scapegoat in the US political system, and that the Chinese sometimes bring this on themselves through problems such as health and safety. Secretary Gates added that zealous advocates of these problem

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areas in the United States may derail constructive engagement if carried too far. He noted that the Chinese exhibit patience, perspective, and the ability to develop relationships over the long term. Secretary Gates stated that U.S. engagement in the Pacific is a determining factor in China's evolving role in Asia. Strong relationships with Japan, India, and Australia and a continued naval presence in the region will shape Beijing's behavior. A U.S. pullback from the region would be destabilizing over the long term. He pointed out that many countries in the region tend to trust the U.S. more than they trust each other. FM Smith added that PM Rudd had made this point, of the importance of sustaining an active US presence in the region, in his remarks at the Brookings Institution last year.

¶15. (C/REL AUS) Secretary Gates described his visit to China last fall and some of his discussions with the Chinese military and civil leaders. This included the importance of engaging in a serious strategic dialogue on military questions, in order to clarify Chinese threat perceptions and their views on the role and possible use of nuclear weapons - a dialogue that had been agreed upon by Presidents Hu and Bush in their April 2006 summit. Secretary Gates recalled the value of similar strategic discussions with the Soviets during the Cold War, which - though slow and painful - had

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helped to avoid some serious misunderstandings and miscalculations on both sides. The Secretary cautioned that similar engagement and dialogue with the Chinese will require time and patience. He noted that some small progress had been made, with the Chinese dispatching an officer from the PLA Second Artillery to the Defense Consultative Talks in November 2007, and with the prospective installation of a direct telephone link between the two militaries.

¶16. (C/REL AUS) Ambassador Negroponte also mentioned his discussions with the Chinese on Iran, in which he noted that the Chinese would find themselves with serious energy security problems on their hands should the Iranian problem destabilize the Gulf. He said that attuning Chinese leadership to broader strategic interests beyond their immediate economic interests required work and patience, but that the Chinese are eager to listen. It is therefore important to keep China engaged through strategic dialogue. FM Smith concurred with the importance of this dialogue with the Chinese and indicated Canberra's desire to support this dialogue.

¶17. (C/REL AUS) On the topic of Chinese long term ambitions, PACOM Admiral Keating noted the crucial importance of learning about Chinese intent as well as military capability, suggesting we know far more about the latter than the former. He then raised an anecdote in a discussion with a PLAN officer, who had suggested during one of Admiral Keating's two visits to China, that in the long run the U.S. should take care of the Eastern Pacific and the Chinese would take care of the Western Pacific. Admiral Keating noted that the Chinese officer in question did not appear to be joking, citing this as further evidence for the proposition that Beijing has long term ambitions and the patience to execute over time. He suggested that his Chinese interlocutors had apparently "connected the dots" from observing the MALABAR exercise involving the US, Japan, Indonesia, Singapore and Australia that they were being "militarily surrounded." He proposed that they could only be disabused of these

inferences by more transparency, including involving them more deeply as observers in such exercises, though this was not without some risk of excessive disclosure.

¶18. (C/REL AUS) CDF Houston on this topic explained that the Australians are extremely careful to preserve reciprocity and symmetry in their military interactions with the Chinese, whereas the Americans appeared to be moving away from that practice. CJCS Admiral Mullen responded that he had obtained some breakthroughs in Chinese transparency during his visit to China by virtue of tough negotiations up front on reciprocity. He cited two examples: some unprecedented Qreciprocity. He cited two examples: some unprecedented exposure to Chinese Navy vessels, and a personal communication by Chinese PLAN Admiral Wu Sheng-li that the Chinese had incorrectly handled the Kitty Hawk port denial incident.

¶19. (C/REL AUS) Admirals Keating and Mullen discussed the role of military personnel exchange with the PLA. Admiral Keating briefly noted the program of NCO to NCO exchanges. Secretary Gates agreed that the exchange of officers and

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NCO's at various levels was a worthwhile long term investment.

¶20. (C/REL AUS) Ambassador Negroponte closed the China discussion by recapping the notion of pressing China to be a "responsible stakeholder", a notion originally developed by the DepSec's predecessor in his strategic dialogue with the Chinese. Ambassador Negroponte recalled that in his recent discussions with Chinese VFM Dai Bingguo, the Chinese seemed to taking hold of this idea to some degree.

NORTH KOREA

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¶21. (S/REL AUS) Ambassador Negroponte briefed on progress on the Six-Party-Talks (6PT) efforts to end North Korea's nuclear program. While North Korea had begun to dismantle its nuclear infrastructure, he noted, it continues to delay meeting its obligation to issue a complete declaration of its nuclear program and holdings. It remains unclear whether the North Korean regime had sincerely decided to end its nuclear program, or whether it is simply delaying the process while waiting for a new U.S. administration to take power, he added. In any case, the U.S. government puts more value on the substance of denuclearization than on meeting particular deadlines. China's involvement in the process had been critical thus far, he said, citing its unprecedented decision to join UN Security Council consensus in condemning North Korea's nuclear weapons test in 2006. Changing North Korea's behavior would continue to require active multilateral engagement, he said. During her travel to Seoul, Beijing and Tokyo during the week of February 24, Secretary Rice would focus on moving the process forward.

¶22. (S/REL AUS) Secretary Gates added that it is possible that North Korea will never surrender its nuclear weapons, and that probably no one knows the direction of North Korean nuclear policy aside from Kim Jong-il. But in contrast to past efforts to engage North Korea, the current 6PT process features immediate feedback mechanisms that link concessions to North Korea to its specific progress on denuclearization. North Korea had never participated in such a process previously, he noted. Though it may not intend to surrender its weapons now, it might be possible through the step-by-step approach to lead it down a path that ends in that result.

¶23. (C/REL AUS) FM Smith expressed Australia's strong support for the 6PT process, and said that it would be prepared to release a significant package of humanitarian



assistance to North Korea at an appropriate point. But he noted Australia's strong interest in participating in any regional security structure that might emerge from the process. While there is no longer a North Korean Embassy in Canberra, Australia maintained diplomatic contacts with the DPRK and would be prepared to use them to help advance the U.S. and Australia's mutual interests. Both U.S. and Australian officials welcomed the election of President Lee as a constructive step forward in coordinating pressure on the North Koreans, but Secretary L'Estrange noted that there might be a risk that Lee's harder line might provoke greater North Korean intransigence.

#### INDIA

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¶24. (C/REL AUS) Both sides acknowledged India's increasing importance in Asian security, and stressed they would continue efforts to enhance strategic and military cooperation with the country. Secretary Gates noted that the U.S. had recently completed a robust military exercise with the Indians, and that the U.S. is increasing its military exchanges. The U.S. is also enhancing its defense trade, with plans to sell six C-130J aircraft, and for American companies to participate in India's competition for a multi-role combat aircraft. Such sales would end India's previous heavy reliance on Russia as an arms supplier, he said.

¶25. (S/REL AUS) Ambassador Negroponte said the U.S. hopes the Indian government would soon complete the process of ratifying its civil nuclear cooperation, and then conclude agreements with the International Atomic Energy Agency (IAEA) and the Nuclear Suppliers Group (NSG). He acknowledged the

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new Australian government's concern about selling uranium to a non-signatory of the Nuclear Non-Proliferation Treaty (NPT), but expressed hope that the U.S. and Australia could find common ground on the issue. FM Smith responded that Australia recognizes the strategic importance of the civil nuclear cooperation agreement for both the U.S. and India. But he said his government would encounter political difficulties if it allowed IAEA and NSG deals to go forward with India in spite of the Australian Labor Party's longstanding opposition to nuclear cooperation with non-NPT signatories. In any case, he noted it is unclear whether the Indian government would formally ratify its agreement with the U.S. The GOA would therefore wait to formulate a position until the Indian government formally ratifies the cooperation deal with the U.S. and takes the issue to the IAEA and NSG. DM Fitzgibbon added that both he and Smith are personally supportive of such enhanced cooperation with India, but that to succeed, they would need to approach the political aspects of the issue sensitively.

#### AFGHANISTAN

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¶26. (C/REL AUS) FM Smith asserted that the GOA continues to regard Afghanistan as an important national interest, and that Australia is solid in its commitment to continued participation in the military mission there. Moreover, it would soon announce a significant package of new assistance aimed at building Afghanistan's civilian capacity. But like the U.S., he said Australia remains disappointed at the uneven participation of the Europeans in military operations. DM Fitzgibbon, expressing appreciation for U.S. support for Australia's greater access to NATO planning efforts, said he hopes to work closely with the U.S. at the NATO summit in Bucharest to secure a stronger European commitment to military operations in Afghanistan. While he agreed with Smith that Australian support for the Afghanistan operation remains strong, he noted the importance of boosting NATO's participation to achieving measurable progress on the ground

and to maintaining public support in Australia.

¶27. (C/REL AUS) Secretary Gates echoed Fitzgibbon's concerns about Europe's spotty contribution to the NATO effort. Failure in the Afghanistan mission would have serious implications for the future of the alliance, he said. It would also threaten European security, he said, noting that he had pointed out in his speech at the Wehrkunde conference in February that recent terrorist attacks in Europe had emanated from either Afghanistan or Pakistan. For now, he said NATO forces had succeeded in clearing areas of Taliban operations, but have insufficient assets to hold such areas and build on them. That will require greater NATO support for building the capacity of Afghan security forces, and while there has been significant progress in this area, NATO must intensify its provision of training and equipment to them. He noted that narcotics trafficking and corruption remains a serious challenge in securing the country. He agreed with FM Smith on the importance of accelerating the appointment of a UN Representative following the collapse of efforts to appoint Paddy Ashdown, and said that the State Department is working with the UN to appoint someone acceptable to President Karzai.

¶28. (C/REL AUS) FM Smith expressed strong gratitude to the U.S. for its temporary housing of the Australian Embassy at the U.S. Embassy in Kabul following the recent attack on the Serena Hotel, where the Australian Embassy had previously been located. He noted that there are continuing reports of a serious terrorist threat to Australian diplomatic operations in Kabul, and that the U.S. compound is the safest place for Australian diplomats to live and work while they plan the construction of their own stand-alone compound.

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PAKISTAN

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¶29. (C/REL AUS) FM Smith noted Australia's serious concern about the situation in Pakistan, which he described as inextricably related to the threats emanating from Afghanistan. While the recent elections had been surprisingly calm, he said there will be a significant challenge in persuading Musharraf and the opposition parties to work together against the extremist threat. Supporting Pakistan's continued democratic development would remain an important Australian goal, he said.

¶30. (C/REL AUS) Secretary Gates and Ambassador Negroponte agreed with Smith's assessment, and noted a number of additional concerns, including:

--The likelihood it will take longer than expected for the opposition parties to work out a deal to form a government. Ambassador Negroponte said Nawaz Sharif's Pakistani Muslim League (PML-Q) and Asif Zadari's Pakistan People's Party (PPP) are likely aiming for a sufficient majority to reinstate the Supreme Court and/or impeach Musharraf. As any weakening of the Pakistani presidency would be a setback for stability in the country, he noted that the U.S. is encouraging both parties to engage with Musharraf.

--The risk that the new Pakistani government will be more interested in negotiating with insurgents than in fighting them. Secretary Gates noted that a further complication is that the Pakistani military is more organized to counter India than to conduct counter-insurgency operations, and that until recently, senior military leaders tended to regard the Federal Administered Tribal Areas (FATA) as more of a nuisance than a serious security challenge. New Pakistani army chief General Kiyani seems serious about confronting the insurgency, but it remains unclear whether he will have sufficient political support to do so, he said. An additional challenge, he noted, is that many military

commanders remain either sympathetic or indifferent to the insurgents. Admiral Mullen added that the deaths of more than 600 Pakistanis at the hands of extremists in the previous six months had helped focus the military on the serious security threat in the FATA, and that General Kiyani is approaching the challenge with a sense of urgency. But he also noted that the Pakistani army is suffering from serious fatigue.

--Insufficient attention to developing the FATA. Ambassador Negroponte expressed concern that Musharraf's 2006 deal to empower local FATA tribal leaders in exchange for a military disengagement had resulted in serious neglect of the region's development needs. He encouraged the Australian government to work with the U.S. in focusing the Pakistani government on the need to devote greater efforts to developing the FATA, Qthe need to devote greater efforts to developing the FATA, and asked whether the Australian government could also devote more assistance in this direction.

¶31. (S/REL AUS) Both U.S. and Australian officials underscored the continuing need for assistance to Pakistani security forces, highlighting the significantly higher financial benefits insurgents pay their personnel. For example, insurgents collect 10,000 rupees a month and have the use of a vehicle, while members of Pakistan's frontier corps receive only 4,000 rupiahs. Admiral Mullen noted that the Pakistani armed forces remain eager for U.S. military support, but that their sensitivity to any appearance that they are surrogates for U.S. interests requires great discretion in providing assistance. DM Fitzgibbon reported that the Pakistanis had reported recently that one of their most important assistance priorities is training and

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equipment (such as night vision capability) to secure their border with Afghanistan. On the broader issue of securing Pakistan's nuclear arsenal, Admiral Mullen reported that he is comfortable as far as he is aware of security measures in place, but that Pakistani security restrictions prevent our full access to the sites.

¶32. (C/REL AUS) Ambassador Negroponte noted that while there are serious threats and challenges with Pakistan, Secretary Rice often expresses concern that there is too little attention to some of the positive trends in the country. He said that Musharraf had done a fairly good job in holding the country together in the face of serious threats, and that he had succeeded in instituting significant reforms and growing the economy. He continues to deserve support.

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